



# **Doing Business in the Syrian Arab Republic: A Country Commercial Guide for U.S. Companies**

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# Chapter 1: Doing Business In The Syrian Arab Republic

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## Market Overview

Outdated government policies, widespread cronyism and corruption, inadequate technical infrastructure, a lack of rule of law, and a declining educational system have greatly impeded economic development and have limited foreign direct investment. The one exception – the petroleum industry – enjoyed twenty years of foreign investment as the main high-growth sector of the economy. However, poor resource management by the state-owned petroleum company has led to diminished capacity and has reduced production much faster than initially projected. Current U.S. economic sanctions make entering the Syrian market extremely difficult.

- On December 12, 2003, Congress overwhelmingly passed the Syria Accountability and Lebanese Sovereignty Act (SAA) to sanction Syria for its support of terrorism, its occupation of Lebanon, its weapons of mass destruction programs, its illegal imports of Iraqi oil, and its role in the ongoing security problems in the Middle East.
- On May 11, 2004, the President of the United States signed an executive order implementing economic sanctions against the Syrian Arab Republic under the SAA, the International Emergency Economic Powers Act (IEEPA), and Section 311 of the USA PATRIOT Act.
- U.S. law prohibits the export of all products of the United States, with the exception of foods and medicines that do not need export licenses and a few categories of goods that must be licensed on a case-by-case basis by the U.S. Department of Commerce. The sanctions include any goods produced outside the U.S. with more than 10% *de minimus* U.S. origin content.
- Syria has a diversified, centrally-planned economy based on three main sectors: the energy, agricultural, and industrial sectors, which together make up well over 50% of the annual GDP. Oil revenues account for around 40% of the state budget and public sector and agricultural workers comprise close to half of the labor force, according to government statistics.
- Economic and trade statistics provided by the Central Bureau of Statistics of the Syrian Arab Republic Government (SARG) are unreliable and not up-to-date. The provisional estimate by the SARG of GDP growth in current prices for 2003, the most recent year for which data is available, is 3.8%; however, independent estimates place the actual growth rate closer to 2%. In addition, while the official unemployment rate is listed as 10.9%, actual unemployment is believed to be over 20% of the labor force of 5.0 million people.
- According to official statistics, total exports for 2003 equaled \$5.3 billion USD, while imports equaled \$4.7 billion USD. Independent estimates of 2004 figures place exports at \$6 billion USD and imports at \$5 billion USD. The largest export is crude oil and the largest imports are heavy machinery and transportation equipment.

According to the U.S. Census Bureau, U.S. exports to Syria in 2004 equaled \$213 million and imports from Syria equaled around \$268 million.

- Syria is one of the few countries in the world with a fixed, multiple exchange rate system. Over the last six years, the government has moved to harmonize rates and has shifted towards a two-tiered system. The rate for government and commercial transactions is currently fixed at 50 Syrian Pounds (SYP) to the dollar. The rate for non-commercial transactions is set and announced daily by the Central Bank of Syria.

## Market Challenges

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Even without U.S. economic sanctions, U.S. businesses find the current business environment difficult to navigate and a challenging one in which to succeed. U.S. and local businesses cite the following challenges as the most critical to doing business in Syria:

- Antiquated policies and regulations that do not favor free market mechanisms;
- The lack of transparency in implementing laws and regulations and in enforcing contractual obligations, and a dysfunctional judicial system;
- Rampant corruption and cronyism;
- An inadequate banking system that severely limits foreign exchange and project financing; and
- Confusing and inconsistent enforcement of tariffs, customs duties, and taxes for goods and services.

## Market Opportunities

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U.S. law prohibits the export of most products of the United States, with the exception of foods and medicines that do not need licenses and a few categories of goods that must be licensed. In this environment, the U.S. Embassy will not identify any market opportunities for U.S. businesses and will not actively promote U.S. investment in Syria.

## Market Entry Strategy

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Pursuant to Executive Order 13338 of May 11, 2004 implementing the SAA, the export of all products of the United States is prohibited, with the exception of food and medicines. In addition, based on the President's exercise of national security waiver authority under the provisions of the SAA, export license applications for medical devices and equipment as defined in Part 772 of the Export Administration Regulations (EAR) and for telecommunications equipment and associated computers, software, and technology will be accepted and reviewed on a case-by-case basis.

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>.

The U.S. Government considers the information contained in this report to be accurate as of the date published. However, **the Department of Commerce** does not take responsibility for actions readers may take based on the information contained therein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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## **Chapter 2: Political and Economic Environment**

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/3580.htm>

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## Chapter 3: Selling U.S. Products and Services

The Syria Accountability and Lebanese Sovereignty Act (SAA) prohibits the export and re-export of most U.S. products to Syria. Products of the United States are defined as not only any good that is produced in and shipped from the U.S., but also any good that contains more than 10% *de minimus* U.S.-origin content regardless of where it is produced.

In implementing the SAA, the President specified that certain items are eligible for export under waiver. These items are food and certain medicines, which do not require an export license, and the following major categories of items, which require licenses for export: (1) controlled pharmaceuticals and medical supplies and devices; (2) telecommunications equipment and associated computers, software and technology; and (3) parts and components intended to ensure the safety of civil aviation and the safe operation of commercial passenger aircraft.

For detailed information on all exempted items and a better understanding of the law, U.S. businesses should contact the U.S. Department of Commerce, Bureau of Industry and Security (BIS). General information about the SAA sanctions can be found on BIS's homepage at [www.bis.doc.gov](http://www.bis.doc.gov) or through the Office of Nonproliferation and Treaty Compliance / Foreign Policy Controls Division at 202-482-4252. U.S. businesses may also contact the Office of Exporter Services at 202-482-4811.

U.S. companies currently doing business in Syria report that confusing regulations and language barriers make the environment difficult. As a result, businesses should consider hiring a local attorney to circumvent bureaucratic roadblocks and to facilitate with understanding the regulations and the language.

A partial list of Syrian attorneys, current as of September 20, 2004, who provide services to foreigners, is included below. The list covers Damascus and the major cities of Aleppo, Homs, Hama, and Latakia. While an attempt has been made in the following list to point out the particular branches of legal work that each attorney generally handles, it should be noted that most attorneys practicing in Syria accept all types of cases. While there are no firms or individuals operating as collection agencies in Syria, most of the attorneys listed handle collection cases.

The United States Embassy in Damascus assumes no responsibility for the professional ability or integrity of the persons or firms whose names appear in the following list. Nevertheless, care and selectivity have been exercised in its preparation. The names listed are arranged alphabetically.

### **DAMASCUS**

Mohamad ABDIN, Port Said Street, Awkaf Bldg., No. 6; Telephone: +963-11-221-4798 (office), 333-5285 (home). Syrian citizen. Graduate of Damascus Law School in 1950. Practicing since 1950. Specializes in criminal, civil, banking and commercial cases, and

international arbitration. Counselor for the Commercial Bank of Syria since 1985. Languages: Arabic, French, and English.

Souhail ABOU-RASS, Bagdad Street, Azbakieh, beside Awad gas station, Bldg. No. 2, 3<sup>rd</sup> floor; Telephone: +963-11-221-1110, 231-6736 (office), fax 231-6736 (office), 231-2669 (home). Dual national Syrian/American citizen. Graduate of Damascus law school in 1972. No specialization, handles all cases. Languages: Arabic and English.

Ousama Al MOUAYAD AL AZEM, Naser Street, Al Awkaf Bldg., telephone 963-11-222-7633, 222-1684 (office), 371-3608, 373-7447 (home), fax 331-6228 (office). Syrian citizen. Graduate of Damascus Law School 1965. Has practiced law since 1965. No specialization, handles all cases. Languages: Arabic and English.

Mazhar ANBARI, Sanjakdar Street, Dassouki Bldg., telephone 963-11-221-7017 (office), 333-7017 (home), fax 332-1695 (office), mobile 963-93-678-435. Syrian citizen. Graduate of Damascus Law School 1948; practicing since 1948. Specialized in criminal and civil cases, insurance, and international arbitration. Former Minister of Justice 1963. Former Vice-President of the Parliament 1965-1966. Former President of the Syrian Bar Association 1972-1974. Languages: Arabic, English, and French.

Nazmi DIRAWAN, Marjeh, Kabbani Bldg., Telephone 963-11-444-5299 (office), 333-0626 (home), fax 444-5299 (office), mobile 963-94-758-051. Syrian citizen. Graduated of Damascus Law School 1963. Has practiced law since 1966. Specializes in civil, commercial, and real estate cases. Languages: Arabic and English.

Jacques EL-HAKIM, Victoria Bridge, Mardam Bldg., P.O. Box 5788, fax 963-11-224-4370 (office), telephone 222-3577 (office), 371-0554 (home). Syrian citizen. Doctor of Laws (France), graduate in Economics (Economics Institute, Univ. of Colorado), agrege from the French Faculty of Law. Professor, Head of the Commercial Law Department, Damascus, and finance cases along with international arbitration. Languages: Arabic, English, and French.

Hazem K. JAZZAR, Salhieh street, Cinema Amir's bldg., P.O. Box 11089, telephone 963-11-232-3008 (office), 331-7397 (home), fax 222-5286 (office), mobile 963-93-272-002, E-Mail h-jazzar@scs-net.org. Syrian citizen. Graduate of Damascus Law School 1971. Has practiced law since 1971. Specializes in commercial and criminal cases. Languages: Arabic and English.

Robert MULKY, 61, Hussein Street, Abou Roumaneh, P.O. Box 446, Damascus, Syria, telephone 963-11-333-3974 (office/home). Syrian citizen. LL Diploma (with honors) 1945, 1949, admitted to Syrian Bar (Master in Law). Official Syrian Delegate to International Lawyers conference since 1958. Council Member of the International Bar since 1958. Council Member of the International Bar Association (I.B.A.) Specializes in civil, business and international trade matters. Languages: Arabic, English, and French.

Daad MOUSA, East Tejera, Bldg. No. 57 ground floor, telephone 963-11-445-5479 (office), 446-1038 (home), fax 442-9648 (office), mobile 963-94-212-071, E-Mail dmaktoob@maktoob.com. Syrian citizen. Graduate of Damascus Law School 1986. Has practiced law since 1986. No specialization, handles all cases. Languages: Arabic and English.

Samer Thomas NOFAL, Mazraa, Alakhdar Alarabi Street, P.O. Box 34274, telephone 963-11-444-9696, 445-3222 (office), 332-4252 (home), fax 442-0781 (office), mobile 963-93-222-121, E-Mail stnofal@syrialaw.net. Dual National Syrian/German citizen. Doctor of Laws (Germany), University of Saarbrücken, Germany. Has practiced law since 1989. Specializes in civil, commercial, real estate, and international law. Languages: Arabic, German, English, and French.

Suheil SARKIS & Fadi SARKIS, 7 Fountain, Adel Sharaf Bldg., Floor No. 2, telephone 963-11-231-8240 (office), 444-5978 (home), fax 231-9975 (office), mobile 963-93-278-424 or 963-93-600-700, E-Mail sarkislaw@mail.sy. Syrian citizen. Ms. Suheil has practiced law since 1961. Specializes in civil and commercial cases. Languages: Arabic, English, and French.

Ahmad Walid SERAJ-EDDIN, Marjeh, Shourbaji and Kabbani Bldg., 1<sup>st</sup> floor, telephone 963-11-221-2112 (office), 311-9340 (home), mobile 963-93-562-200, fax 224-4761, 311-8029, E-Mail w-sraj@scs-net.org. Syrian citizen. Mr. Seraj-Eddin has practiced law since 1969. Specializes in civil and family law. Languages: Arabic and English.

Muhammad Aziz SHUKRI, 21 Farabi Street, behind Razi Hospital, Mezzeh, telephone (office/home) 963-11-613-1620, 611-1393, fax 611-6503, mobile 963-93-227-228, E-Mail mashukri@scs-net.org. Syrian citizen. Dean of Diplomatic & International Department Kalamoun University and professor of International Law and Relations. Doctor Juridical Sciences – Columbia University of New York, N.Y., in 1965. Attorney and counselor at law since 1968 with specialty in legal drafting in both Arabic and English; transactions; arbitrations, national and international, administrative and comparative law cases. International contracts; geopolitical consultations. Languages: Arabic and English.

Sami WARDEH, Marjeh, Kabbani Bldg., P.O. Box 10355, telephone 963-11-221-1767 (office), 311-4892 (home), fax 312-3078 (office). Syrian citizen. Graduate of Damascus Law School 1965. Has practiced law since 1965. Specializes in commercial and real estate cases. Languages: Arabic, French, and English.

## **ALEPPO**

Gadar BISMARJI, Kostaki Homsy Street, Azizieh, P.O. box 33, telephone 963-21-211-9428 (office/home). Syrian citizen. Graduate of Damascus Law School 1962. Has practiced law since 1962. Certified translator English-Arabic, and vice-versa. No specialization, handles all types of cases. Languages: English, Arabic, French, and some Armenian.

Ihsan KAYALI, Shahba Taawon Street, P.O. Box 16377, telephone/fax 963-21-266-4991 (office), 266-8404 (home), mobile 963-94-212-392. Citizen of Syria. Graduate of Damascus Law School in 1949. Handles all cases with specialization in commercial and insurance cases. Languages: Arabic, English, and French.

## **HOMS**

Mohammad Mounir AMOUDI, Plaza Bldg., Hashem Atassi Street, P.O. Box 362, telephone/fax 963-31-223-115 (office), 422-683 (home), mobile 963-93-134-369. Syrian

citizen. Graduate of Damascus Law School 1949. Has practiced law since 1949. Specializes in criminal, civil, banking, and insurance cases. Languages: Arabic, French, and English.

Antoun TRABULSI & Nazly TRABULSI, Abu El Alaa Al Maari Street, telephone 963-31-224-406 (office), 224-655 (home), mobile 963-93-802-806. Syrian citizen. Mr. Antoun has practiced law since 1940. Head of Homs Bar Association. General practice. Languages: Arabic, English, and French.

### **HAMA**

Fathallah ALLOUSH, Al Shariaa Street, telephone 963-33-220-271 (office), 963-33-220-053 (home), and in Damascus Fardous Street, Jadet Balkis, telephone 963-11-222-8839, 221-9937 (office), 963-11-224-4826 (fax), 963-11-662-3764 (home). Syrian citizen. Graduate of Damascus Law School in 1955, has practiced since 1955. Specializes in civil, banking, and criminal cases. Languages: Arabic and French.

### **LATTAKIA**

Hassan MAKHLOUF, P.O. Box 1925, telephone 963-41-478-055, 469-447 (office), 426-089, 417-646 (home), fax 463-125 (office). Syrian citizen. Graduate of Damascus Law School in 1960. Has practiced law since 1960. No specialization, handles all cases. Languages: Arabic, French, and English.

Nazih J. ABDALLAH, Al Mutanabi Street, telephone 963-41-473-777 (office), 219-175, 219-275 (home), fax 475-357 (office), mobile 963-93-470-889, E-Mail [avonazih@scs-net.org](mailto:avonazih@scs-net.org). Syrian citizen. Graduate of Damascus Law School in 1963. Has practiced since 1964. Specializes in civil, commercial and criminal cases. Languages Arabic, French, and some English.



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## Chapter 4: Leading Sectors for U.S. Export and Investment

The Syria Accountability and Lebanese Sovereignty Act (SAA) prohibits the export and re-export of most U.S. products to Syria. Products of the United States are defined as not only any good that is produced in and shipped from the U.S., but also any good that contains more than 10% *de minimus* U.S.-origin content regardless of where it is produced.

In implementing the SAA, the President specified that certain items are eligible for export under waiver. These items are food and certain medicines, which do not require an export license, and the following major categories of items, which require licenses for export: (1) controlled pharmaceuticals and medical supplies and devices; (2) telecommunications equipment and associated computers, software and technology; and (3) parts and components intended to ensure the safety of civil aviation and the safe operation of commercial passenger aircraft.

For detailed information on all exempted items and a better understanding of the law, U.S. businesses should contact the U.S. Department of Commerce, Bureau of Industry and Security (BIS). General information about the SAA sanctions can be found on BIS's homepage at [www.bis.doc.gov](http://www.bis.doc.gov) or through the Office of Nonproliferation and Treaty Compliance / Foreign Policy Controls Division at 202-482-4252. U.S. businesses may also contact the Office of Exporter Services at 202-482-4811.

Even though investments are not currently banned under the law, U.S. businesses looking to invest in Syria should contact the Office of Foreign Assets Control at the Department of Treasury at [www.ustreas.gov/offices/enforcement/ofac](http://www.ustreas.gov/offices/enforcement/ofac) for additional clarification.

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### Import Tariffs

The Syrian Arab Republic is signatory to the Greater Arab Free Trade Agreement (GAFTA), which took effect on January 1, 2005, and a Free Trade Agreement with Turkey. These agreements have eliminated import tariffs on goods from Arab states and will gradually eliminate tariffs on goods from Turkey. While Syria has initialed an Association Agreement with the EU, final signature on this Agreement is still pending. As a result of these three agreements, the government is working to harmonize its import tariffs and customs duties, which it hopes to accomplish by the end of 2005.

Tariff rates on goods from countries with which Syria does not have a free trade agreement are subject to progressive tariff rates that range from 1% to 200% of the value of the good, depending on the government's view of the necessity of the product.

### Trade Barriers

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Syria has a number of non-tariff trade barriers that include a non-convertible currency, an inadequate banking system, and cumbersome and confusing government regulations. For a more comprehensive understanding of non-tariff trade barriers, please refer to Chapter 6: Investment Climate.

### Import Requirements and Documentation

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To import goods into Syria, importers must present the following documents: (1) a bill of lading; (2) a valid import license; (3) a packing list in triplicate; (4) a certificate of origin in triplicate; (5) a letter from the corresponding bank; and (6) a commercial invoice in triplicate describing the type of goods imported, price, basic specifications, and method of payment used.

Payment by means of documentary letter of credit has been implemented for commercial transactions. The exporter should also include two statements on the

invoice: (1) whether the exporter has an agent in Syria, and (2) whether the company is in compliance with the Arab League boycott of Israel.

Syria enforces the Arab League Boycott of Israel. Goods of Israeli origin may not be imported into Syria. U.S. exporters are advised to obtain competent advice regarding U.S. anti-boycott regulations before proceeding. One excellent source of such information is the U.S. Department of Commerce, Office of Anti-Boycott Compliance, Telephone: 202-482-2381; Fax: 202-482-0913.

All documents must be certified by the Chamber of Commerce (or any Arab/Foreign Chamber of Commerce) and the Syrian Embassy in the country of origin, or by another Arab Embassy in that country, in the absence of a Syrian Embassy.

## **U.S. Export Controls**

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The Syria Accountability and Lebanese Sovereignty Act (SAA), implemented on May 11, 2004, prohibits the export and re-export of most products of the United States to Syria. Products of the United States are defined as not only goods that are produced in and shipped from the U.S., but also goods that contain more than 10% *de minimus* U.S.-origin content regardless of where they are produced.

In implementing the SAA, the President specified that certain items are eligible for export under waiver. These items are food and certain medicines, which do not require an export license, and the following major category of items, which require U.S. Department of Commerce licenses for export: (1) controlled pharmaceuticals and medical supplies and devices; (2) telecommunications equipment and associated computers, software and technology; and (3) parts and components intended to ensure the safety of civil aviation and the safe operation of commercial passenger aircraft.

Between June and December 2004, the Bureau of Industry and Security (BIS) at the U.S. Department of Commerce received 259 license applications, of which 138 were approved, 78 were returned without action, and 20 were denied. The majority of applications were for medical supplies and devices, computers and related software, telecommunications equipment, and aircraft parts. Of the applications returned without action, most were returned because the application forms were incomplete. The denials were for applications to export items that do not have a waiver under the SAA.

To gain a more detailed understanding of the law, U.S. businesses should contact the U.S. Department of Commerce, Bureau of Industry and Security (BIS). General information about the SAA sanctions can be found on BIS's homepage at [www.bis.doc.gov](http://www.bis.doc.gov) or through the Office of Nonproliferation and Treaty Compliance / Foreign Policy Controls Division at 202-482-4252. U.S. businesses may also contact the Office of Exporter Services at 202-482-4811.

## **Temporary Entry**

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The Syrian government grants temporary entry, free of customs duties and unified tax, for the following:

1.- *Foreign Projects*: A foreign company executing a project in Syria is entitled to temporarily import any equipment necessary for the completion of the project. When the work is completed, the company must then re-export all equipment and vehicles. However, companies have experienced difficulties re-exporting equipment, especially computers and vehicles.

2.- *International Organizations*: International organizations are entitled to import vehicles, furniture, and other necessary equipment, duty-free, on the condition that all imported goods be re-exported.

3.- *Tourists*: Tourists are entitled to bring in passenger vehicles for personal travel for a period of 3 months, subject to a one month extension.

4.- *Trade Shows*: Trade show participants may temporarily import goods for display, but must re-export them at the conclusion of the event. Occasionally, the Syrian authorities permit the permanent importation of goods that are displayed during the government-organized Damascus International Fair.

5.- *Export manufacturers*: Under a special procedure, local manufacturers are granted temporary entry permit for raw materials duty-free if the resulting manufactured products are wholly intended for export.

6.- *Projects under Law No. 10*: Investment Law No. 10 permits investors duty-free import of machinery, capital equipment, and supplies needed for special projects. Customs duties are imposed, however, on all raw materials for manufacturing. The government has reduced the duties imposed on certain raw materials to 1%.

## **Labeling and Marking Requirements**

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Medicines, food, dairy, garments, and other consumer products must be labeled. The labeling should include: name of producer/exporter, ingredients, date of manufacturing, date of expiration, as well as the country of origin. Medications also require a batch number. Labeling is now enforced for products designed for local consumption, according to the international standards, as issued by the Ministry of Economy and Trade. In accordance with the Free Trade Agreements signed, Syria is working to implement more updated labeling and marking requirements on both imported and exported goods.

## **Prohibited and Restricted Imports**

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A comprehensive unified list of prohibited imports is not available; however, the following items are excluded or tightly controlled by various government agencies: (1) ready-made clothing, (2) processed foods (except for canned fish and foods under the GAFTA), (3) some pharmaceuticals, (4) raw materials for cosmetics, (5) beer and tobacco (only the government can import alcoholic beverages and cigarettes for sale on the local market), (6) bottled water (this is loosening with regard to GAFTA countries), (7) cheese, and (8) soft drinks. Trade liberalization has reduced the list of prohibited imports for members of GAFTA.

## **Customs Regulations and Contact Information**

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Mr. Basel Omar Sannoufeh  
Director General  
Baramkeh, Damascus, Syria  
Telephone: +963 11 – 2127900, 2125751, 2126901, 2129137, 2127902/3  
Fax: +963 11 – 2132577, 2126921

For additional information, please check the Arabic language only website for the General Directorate of Customs, which is [www.syriancustoms.com](http://www.syriancustoms.com).

## **Standards**

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Syria has a complex and bureaucratic standards system that involves 10 different agencies and 7 ministries. As a member of the International Organization for Standardization (ISO), Syria incorporates many of the international norms within the local system. The primary responsibility for drafting and enforcing standards falls to the Commission for Standards and Measurements under the Ministry of Industry. However, many other agencies and ministries are involved, depending on the commodity in question. While the regulations are well developed, enforcement is not as consistent, with some products and producers enjoying looser enforcement than others.

Locally produced goods, both for the domestic and export market, are required to certify compliance with local standards. Imports can be subject to government testing to check for compliance. All products must be properly labeled, including information on the producer, the ingredients/components, the weight/size, the production license number, the country of origin, and production and expiry dates in Arabic. For measurements, Syria uses the metric system.

## **Trade Agreements**

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As of January 1, 2005, the Greater Arab Free Trade Agreement (GAFTA) came into effect and customs duties will be eliminated between Arab states. In addition, Syria has signed a Free Trade Agreement with Turkey and an Association Agreement with the EU, which has not yet taken effect.

## **Web Resources**

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For more details on the Syria Accountability Act, please visit:  
[http://www.bis.doc.gov/Licensing/SyriaImplementationMay14\\_04.htm](http://www.bis.doc.gov/Licensing/SyriaImplementationMay14_04.htm).

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### **Preface and Openness to Foreign Investment**

Designated by the U.S. government as a state-sponsor of terrorism, Syria has been listed on the U.S. Department of Commerce Control List (CCL) and has been subject to Export Administration Regulations (EAR) for over twenty years. All dual-use goods and advanced technology items have been controlled and/or restricted from the Syrian market. These restrictions were enhanced through the implementation of economic sanctions under the Syria Accountability Act (SAA) of May 11, 2004. While the implementation of the SAA has not specifically banned U.S. investments, the current ban on the export of almost all products of the United States has made investments by U.S. businesses more difficult to carry out.

Furthermore, the President has also designated further sanctions for consideration under the International Emergency Economic Powers Act (IEEPA) and Section 311 of the USA Patriot Act. As a result, the transfer of U.S. dollars to and from Syria has become difficult, making investments that much more challenging to execute. SAA sanctions are in addition to restrictions under the Grassley Amendment that prevent U.S. corporations from taking advantage of foreign tax credits for taxes paid in Syria. As of June 2005, a number of U.S. corporations, notably in the oil and gas sector, made the decision to divest and cease their activities in Syria.

Syrian officials and ministers routinely stress publicly the need for economic reform in order to attract foreign direct investment and thus stimulate economic growth and increase employment. On paper, some of the economic reforms that have been announced over the years seem quite progressive and encouraging. However,

progressive changes in the laws and effective enforcement of these changes are few and far between.

On May 4, 1991, the Syrian Arab Republic government implemented Investment Law No. 10 in order to equalize incentives for foreign investors to match those available for local investors. Under the guidelines of Law No. 10, many sectors of the economy are open to foreign direct investment except for port operation, water bottling, and oil and gas production and refining. Investment in the petroleum sector is done directly through the Ministry of Petroleum and is not governed under Law No. 10.

All applications for investment under Law No. 10, and subsequent decrees, must be screened and vetted through the Higher Council for Investment (HCI), which meets once a month. HCI members currently include the Prime Minister, the Minister of Economy and Trade, the Minister of Agriculture, the Minister of Transport, the Minister of Industry, the Minister of Finance, the Head of the State Planning Commission, and the Executive Director of the HCI. Since the laws that are in place do not establish definitive criteria for decision-making, the HCI can be swayed by external pressure.

The government amended Law No. 10 in May 2000 through Legislative Decree No. 7 to make investment more attractive by extending tax holiday periods, allowing some hard currency transferability, reducing income taxes for share-holding companies, and incorporating incentives for additional industrial sectors and geographic regions. Licensed investors are accorded duty-free privileges to purchase machinery and equipment for a project, including vehicles, and a tax holiday for the first five years of operation. Companies that export over 50 percent of their products enjoy a seven-year tax holiday.

Fourteen years after the implementation of this law, and its amendment, many potential local and foreign investors continue to be hampered by ambiguous, ineffective, and/or non-existent regulations and extremely arbitrary enforcement. In addition, economic reforms in the recent past have been largely symbolic and have done little to improve Syria's overall investment climate.

Both foreign and local business leaders cite three main obstacles to a growth in business investments. First, the banking sector is inadequate to meet the financing needs of not only multinational corporations, but also local enterprises. Second, the lack of rule of law makes contractual obligations optional at best and impossible to enforce at worst. Finally, the lack of transparency and accuracy in laws and regulations, particularly when dealing with government-affiliated entities, leads to a climate of confusion, intimidation, and corruption.

In the past, foreign investors have often been hampered by unawareness in the early stages of the tendering process that winning bids are based more on contacts and relationships than the actual merits of a proposal. Certain ministers in the government have acknowledged this problem within the last few years and have tried unsuccessfully to address it. Similarly, the judicial system, in theory, upholds the sanctity of contracts. However, in practice, judgments are subject to external pressures that make it difficult for U.S. businesses to ensure that contracts are upheld.

All government officials continue to reject on ideological grounds the privatization of state enterprises. In spite of these ideological beliefs, the government seems intent on

identifying ways to make the public sector more profitable by allowing agents to market products abroad, by discussing joint-venture opportunities, by pursuing ISO certification, and by freeing selected ventures on an experimental basis from certain restrictive laws on labor and wages. Despite recent attempts at reform, the economy remains centrally planned, and uncompetitive public sector companies continue to drain government finances and are a disincentive to growth.

In addition to the challenges mentioned above, foreign company representatives mention the following specific difficulties of doing business in Syria:

1. The Syrian government requires import and export licenses for every item imported and then re-exported, regardless of value. Likewise, foreign companies must acquire permits for each item of equipment intended for temporary use and subsequent re-export (i.e. drilling rigs) to avoid paying import duties. The validity of these permits can be difficult to extend if the company's service contract expires and the company wishes to keep the equipment in the country for stand-by usage. Delays in the re-export of equipment after a temporary permit expires have resulted in heavy fines.
2. Syrian corporate, income, and wage tax liabilities for foreign contractors have been unclear for quite some time, and they continue to complicate the operations of many companies.
3. The awarding of contracts is often delayed by the lobbying efforts of influential local business interests and groups. Even in cases devoid of external influence, bureaucrats fear accusations of corruption and abuse, and therefore, often require additional reviews of investment proposals that are not mandated by law and that inordinately delay projects. The Syrian government has reiterated its commitment to increasing the degree of transparency in the process, but foreign and Syrian firms continue to cite problems.
4. The Syrian government continues to set prices on some consumable goods and commodities; however, enforcement of such controls has waned and the Syrian government increasingly has adopted market prices.
5. The average public sector employee earns wages estimated at \$140 - \$180 per month, which is well below subsistence levels. As a result, employees in the public sector are often unmotivated and unproductive and may demand "fees" for required routine services. Significant delays ensue if these "fees" are not paid. In addition, labor laws are complex and significantly limit an employer's flexibility to hire and fire employees.
6. The Syrian government passed new rent legislation in early 2000 that improved a landlord's ability to lease residential properties and negotiate rent rates. However, at the end of 2004, the government implemented an 18% tax on any real estate leased for use by foreign persons or entities.
7. Rigorous enforcement of the regulations of the Arab League Boycott of Israel leads to numerous difficulties in the importation of needed products or in registering trademarks because the government requires additional paperwork certifying compliance with the Boycott. Providing this paperwork is against U.S. law.



## Conversion and Transfer Policies

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Under the guidelines of the USA Patriot Act, the President has designated the Commercial Bank of Syria as a money-laundering and terrorist-financing institution. As such, the Secretary of the Treasury must set the rules on correspondent relations between the Commercial Bank and U.S. financial institutions. As of mid-2005, the Secretary has not yet exercised this rule-making authority. However, U.S. financial institutions have already severed correspondent relations with the Commercial Bank. As a result, companies have had difficulties transferring U.S. dollars to and from Syria.

Under current laws, investors are permitted to open foreign exchange accounts with the Commercial Bank of Syria. According to Decree No. 7, an investor must deposit fifty percent of the foreign exchange capital and hard currency loans required by a project at the Commercial Bank of Syria. Decree No. 7 permits exporters to retain one hundred percent of their export revenues.

Newly opened private banks can provide the same level of banking services as the Commercial Bank of Syria, including opening saving/checking accounts and issuing Letters of Credit (L/Cs), provided the money originates from outside the country. In some limited instances, private banks are allowed to issue U.S. dollar denominated L/Cs backed by Syrian pounds. The private sector has had no access to official foreign reserves since 1984. All foreign exchange operations must be generated from company exports and transacted through the investor's foreign exchange account at the Commercial Bank of Syria.

Aside from the loosening of controls under Investment Law No. 10 and Decree No. 7, strict foreign exchange restrictions were enforced up until mid-2003. Even though relatively recent legal changes permitted the possession of foreign exchange, overseas borrowing and the export of capital still require the approval of the Central Bank. These restrictions, however, are often disregarded. Foreign companies operating outside the parameters of the investment law and its amendment may transfer capital only in accordance with special agreements, usually in the form of a Presidential decree.

Outward capital transfers and profit remittances are currently prohibited, unless approved by the Prime Minister, sanctioned under Law No. 10, or arranged separately, as in the case of production sharing agreements with oil exploration companies. Under Decree No. 7, the project's actual - not just initial - value may be repatriated after five years from the project completion date, or after six months if the project fails due to events beyond the control of the investor. Profits continue to be remittable on an annual basis even if no hard currency was generated. Expatriate employees are permitted to transfer abroad fifty percent of their salaries, and 100 percent of severance pay. In the case of foreign oil companies, "cost recovery" of exploration and development expenditures is governed by formulas specifically negotiated in the applicable concession agreement.

Foreign oil partners in production sharing joint ventures with the state oil company report delays in the recognition of "cost recovery" claims, although such payments are eventually approved.

Current investment laws set no limits on the inflow of funds, but significant restrictions exist on the outflow. In March 2001 the Syrian government passed Law No. 28, which allows for the establishment of private and joint-venture banks. The law made general provisions for the operations of the banks and set a minimum Syrian ownership requirement of 51 percent. At the same time, a banking secrecy law was also issued that allows for numbered accounts and that restricts asset seizures. To date, three private banks are operating in the country and are able to carry out the same banking operations that are permissible to the Commercial Bank of Syria.

## **Expropriation and Compensation**

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The main period of the expropriation of private property occurred from 1964 to 1966, after the Ba'ath Party seized power on March 8, 1963. During this period, the government nationalized many private farms and factories without paying any compensation. To the best of the Embassy's knowledge, no one has been compensated for the material losses that occurred as a result of nationalization. Between 1967 and 1986, there were fewer cases of expropriation because the government had already seized the most valuable properties, and thus, they spent more time scrutinizing any remaining properties for nationalization. The Embassy does not have any knowledge of private property nationalized after 1986.

Investment laws enacted in 1985-86 for specific sectors, i.e. tourism and agriculture, included clauses that protected against nationalization and expropriation. In addition, in 2000, Decree 7 of Investment Law No. 10 explicitly stated that projects could not be nationalized or expropriated. While there is no law per se that forces local ownership, the government has a monopoly over strategic industries such as petroleum production and refining, port operation, air transportation, water bottling, and power generation and distribution.

## **Dispute Settlement**

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On June 8, 2005, Syria signed the Washington International Convention on Investment Dispute Settlement. In addition, as a party to the New York Convention on Arbitration, the Syrian government accepts binding international arbitration of disputes between foreign investors and the state in cases where the investment agreement or contract includes such a clause. Otherwise, local courts have jurisdiction. Arbitration cases involving the public sector must be tried by the State Council, which attempts to ensure the integrity of the process; however, they have no authority over the enforcement of their decisions.

A number of U.S. suppliers and companies have asserted claims against state enterprises for non-payment of goods and services delivered. The government has made an effort after 1995 to settle some of these debts on a case-by-case basis. For example, one American supplier finally received payment in 2002 for goods delivered in 1982. Long delays are common in settling disputes through negotiation and arbitration. In the past several years, fewer investment disputes have been filed or brought to the Embassy's attention.

While property and contractual rights are protected on paper, the government regularly interferes in the judicial process. Judgments by foreign courts are generally accepted only if the verdict favors the Syrian government. Although an official bankruptcy law exists, it is not applied fairly because a creditor's ability to salvage any investment is contingent on the amount of influence they can exert and not on the letter of the law. Monetary judgments, if granted, are made in local currency and cannot be converted to hard currency.

## **Performance Requirements and Incentives**

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Investment Law No. 10 and its amendment Decree No. 7 do not stipulate formal performance requirements as a condition for establishing, maintaining, or expanding an investment or for access to tax and other incentives. However, Decree No. 7 does mandate that investors must make a minimum initial investment, the level of which is set by the Higher Council for Investment (HCI), and that they must complete projects within the specified time in the contract or risk losing their investment license.

While investors are not required to hire a fixed number of local employees, the HIC looks more favorably on proposals that include a large element of local labor, that use local raw materials, and that are designed for undeveloped rural areas. As a result, informal guidelines on labor and materials are usually negotiated on a case-by-case basis during the approval and licensing process. Locals are not required to own shares in foreign investments or that investors reduce foreign equity over time. However, successful foreign investments usually involve a well-connected local partner who can overcome bureaucratic hurdles that are prevalent in Syria.

For all public tenders, the government requires a bid bond, which is usually 5% of the value of the tender. If selected, a performance bond is required, which is usually 10% of the value of the contract. Even though these monies are held in the Commercial Bank of Syria on behalf of the foreign investor, most companies now incorporate the amounts into their overall bid because the monies are rarely, if ever, returned after completion of the contract. In addition to these bonds, the government may also require disclosure of proprietary information before approving a project.

While the Ministry of Economy and Trade has the authority to set prices and/or profit margins on products imported for the local market, they have not usually done so for products brought in through foreign investments. Similar types of incentives, which are outlined in various pieces of legislation, include extended tax holidays, increased flexibility on hard currency, reduced income taxes for share-holding companies, and incentives to promote investments in underdeveloped regions and sectors.

## **Right to Private Ownership and Establishment**

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Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity. Moreover, private entities have the right to freely acquire and dispose of interests in business enterprises.

All major private investment projects must be licensed. Over the past few years, the Syrian government has steadily opened sectors formerly reserved for government

monopolies to private sector investment. Key sectors opened since 1994 include flour milling, sugar refining, cotton ginning and spinning (if the project is completely integrated to include manufacturing and finishing), and recently, banking and cement production. The Syrian government has stated publicly that the Higher Council for Investment is open to any and all proposals for investment, in any industry and on any scale. Nevertheless, state enterprises with a competing interest in a proposed project are routinely consulted by the HCI. Several projects that have been approved have not reached implementation because investors have failed to produce the necessary resources and/or found the final conditions of the project unsuitable.

The standard of competitive equality is not applied to private enterprises competing with state enterprises in a number of important areas. For example, although a number of state banks such as the Real Estate Bank and the Industrial Bank are authorized to loan local currency to help finance private sector projects, state enterprises continue to have privileged access to local credit and exclusive access to official loans from the Commercial Bank of Syria. Private companies, however, can sometimes access offshore financing, and if they are located in Syria's free zones, have been able to access financing from the few local branches of private foreign banks. Now that three private banks are operating in the country, access to credit might be easier.

## **Protection of Property Rights**

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Violations of Intellectual Property Rights (IPR) are rampant in Syria. Patent, trademark, and copyright laws and regulations are all inadequate. As a result, Syria provides minimal protection for local producers and almost no protection for foreign producers. In July 2002, Syria officially joined the 1967 Stockholm Convention on Intellectual Property Rights. Subsequently, the authorities began to actively enforce the protection of IPR through raids and confiscations of pirated goods from a number of local vendors and producers. However, direct government action to punish IPR violators ceased by the end of 2003 and the senior official at the Ministry of Culture who was spearheading this effort resigned. In May 2004, Syria became a member of the World Intellectual Property Organization (WIPO), but has not made improvements in IPR enforcement to date.

The Syrian regulatory system is not sufficient to provide the necessary legal framework to actively protect and enforce IPR. The Ministry of Economy and Trade traditionally processes the registration of patents and trademarks, while the Ministry of Culture is responsible for copyrights. Books in English are frequently translated into Arabic and published without any royalties paid to the copyright holder. In addition, music, software, and video CDs, CD-ROMs and DVDs are copied and sold ubiquitously. Although recently, certain retail music stores in Damascus are no longer selling Arabic music because there is a new licensed franchisee.

Since 2002, the government has made more of an effort to create a legislative structure for IPR protection; however, comparable efforts at enforcement have been sparse. Thus, any new legislation is rendered meaningless. The amount of revenue lost to U.S. IPR holders is unknown and very difficult to measure. Film industry contacts estimate that the home video market alone is 80% pirated.

While IPR protection is almost non-existent, the protection of real property rights is much more developed, and therefore, legally and socially accepted. Since bank financing and

mortgage lending does not exist, real estate is bought through cash payments in full or through installments. Property ownership is not transferred until it is paid in full.

### **Transparency of the Regulatory System**

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The Syrian regulatory system is not transparent on any level. As described by local private business leaders, corruption is endemic at nearly all levels of government. Decisions are made without consulting consumers, producers, or suppliers. Most regulations are put in place to maintain a heavily subsidized economy that permits food staples to be sold at affordable prices for low-income consumers. Government regulations do not promote competition, either among private firms or between private firms and state enterprises.

To foster competition, the government has informed public sector enterprises that they will no longer be permitted to operate as a monopoly, particularly if private capital, foreign or domestic, can be obtained to finance projects. However, there are no regulatory processes managed by non-governmental organizations or private sector institutions to provide a system of checks and balances on government directives. As a result, legal, regulatory, and accounting systems are incompatible with international standards. Local businesses do not comply with what are perceived to be arbitrary regulations. They also avoid paying taxes because they consider payment as a means of official confiscation of their hard-earned profits.

### **Efficient Capital Markets and Portfolio Investment**

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Syrian government policy does not facilitate the free flow of financial resources. The lack of a fully convertible currency exchange and the complete absence of a capital market continue to impede both domestic and foreign investment.

The government continues to impose strict foreign exchange controls, especially on currency outflows for private sector operations that are not under the legal umbrella of Investment Law No. 10 and Decree No. 7. Foreign capital can be brought into the country and can be exchanged for commercial purposes at the daily rate established by the Central Bank of Syria. One-way, non-commercial foreign exchange transactions are currently available at branches of the Commercial Bank at a set rate, which is close to the real or market rate. Additionally, investors wishing to repatriate their funds may do so only from hard currency earnings generated from exports.

In February 2001, the Cabinet approved draft legislation establishing a stock exchange under the auspices of the Syrian Federation of Chambers of Commerce. This legislation was passed and approved by the President in June 2005 as Law No. 22. A committee has been established to look at the logistical implications of setting up a stock market.

### **Political Violence**

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Syria is an autocratic police state that severely restricts public political dissension. Protests are rare and usually quashed quickly, and protestors can be jailed for indefinite

periods of time. Those who are in the good graces of the regime enjoy a high level of personal security and professional stability.

Recently, tensions have risen as a result of the Arab-Israeli conflict and the war in Iraq. Government-sanctioned "spontaneous" demonstrations occurred against the Embassy in the winter of 1998 and in October 2000. While anti-American sentiment has risen considerably as a result of the war in Iraq, there have not been any reported incidents of violence against American institutions or individuals. In April 2004, one terrorist-related incident took place in Damascus, away from the Embassy, but consequences seem to be limited.

## **Corruption**

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Corruption cuts across most sectors of society and affects the legal system as well. Bureaucratic procedures for receiving required documents and for obtaining licenses can be protracted and often involve official approval from many levels within the government. Under-the-table payments are commonplace, as corruption is endemic in nearly all levels of government.

After 1998, state-run newspapers began publishing articles about the misappropriation of public funds and the lack of probity among public officials. As a result, certain officials were jailed for corruption after an investigation into their abuse of power. Even with these high profile cases, however, corruption is prevalent. Wages and benefits in the public sector are insufficient to meet the cost of living, thus fringe benefits and excessive "agency" fees are widely tolerated as a means of supplementing income, especially during the procurement, investment licensing, import licensing, and customs clearing processes.

## **Bilateral Investment Agreements**

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On August 9, 1976, Syria signed an investment guarantee agreement with the United States that protects investments from nationalization and confiscation. Similar agreements are also in force with Germany, France, Pakistan, China, Indonesia, Russia, Belarus, Iran, Italy, Bulgaria, Ukraine, and Switzerland. In addition, a number of bi-national committees have been established with Arab, Asian, and European countries to explore private and mixed joint ventures, and improve bilateral trade. Syria has signed investment guarantee agreements with Kuwait, the U.A.E. Morocco, Sudan, Yemen, Egypt, Lebanon, Jordan, Tunisia, Algeria, Bahrain, and Libya. The U.S. does not have a bilateral taxation treaty with Syria.

## **OPIC and Other Investment Insurance Programs**

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U.S. businesses are not allowed to utilize OPIC or other U.S. government investment insurance programs because Syria is designated on the State Department's List of State Sponsors of Terrorism. In addition, the Export-Import Bank, the Small Business Administration, the Commodity Credit Corporation, and the Trade Development Agency cannot extend financing for U.S. business activities. USAID terminated its assistance to Syria in 1983; subsequently, all funds appropriated through the annual foreign



operations legislation are banned. While the recently implemented Syria Accountability Act does not currently prohibit investments, the President can decide to ban U.S. investments at a future date. As a result, the U.S. Embassy does not actively promote U.S. investment in Syria.

## **Labor**

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The official government estimate of the level of unemployment is around 10.8%; however, more accurate independent estimates place it over 20% of the labor force. While there is no reliable estimate for underemployment, close to half of the population lives on less than \$140 USD per month. In May 2005, the UNDP announced that around 20% of the Syrian population lives in poverty. The average public sector wage is between \$140 USD to \$180 USD per month, and public sector employees constitute over one quarter of the total labor force.

As compared to the public sector, the private sector offers higher wages and better benefits and usually has been able to recruit and hire more skilled labor. However, recent developments in information technology have outpaced the level of competency among Syrian engineers. Syrian universities continue to teach many technical courses in Arabic and use Soviet-era curriculum. As a result, both private and public sector firms are looking abroad to find qualified technicians for their IT needs. While the public sector is not competitive, the private sector is struggling to compete in the international marketplace for qualified engineers because Syrian wages are generally lower than average.

Government officials acknowledge the fact that the economy is not growing at a pace sufficient to create enough new jobs annually to match population growth. Recent official figures suggest that while the economy grew at 2.4% in 2004, the rate of population growth was 2.7%. Since 2001, the government has tried a number of initiatives to promote job growth without much success, including job fairs and loans for small and medium size investment projects.

Independent labor unions do not exist in Syria because the General Federation of Trade Unions (GFTU) is government-controlled and oversees all aspects of union activity.

## **Foreign Trade Zones / Free Ports**

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There are nine existing duty-free zones throughout Syria. The General Organization of Free Zones (GOFZ) has plans to establish an additional four zones on a Build, Operate, and Transfer (BOT) basis. Moreover, GOFZ has licensed the first privately owned and managed free trade zone in the Damascus suburbs for use by the textile industry to produce exports for Europe and the U.S. In May 2000, a free trade zone was inaugurated near the Syrian-Jordanian border as a joint venture between the two countries. The government is preparing international tenders to establish similar zones with Lebanon and Turkey. Both major ports in Lattakia and Tartous have free trade areas; however, there are no free ports in Syria.

Official foreign investment statistics by country are not available in Syria. According to the President of the Higher Council for Investment (HCI), 3,693 foreign and local investment projects have been approved by the HCI since Law No.10's inception in 1991 and through December 2004. However, only a small percentage of these projects have actually been realized because costs for feasibility studies and project implementation have proven to be higher than initially anticipated by many investors.

According to government statistics, 161 foreign and joint venture investment projects are operating as of June 2005, excluding joint ventures in the petroleum sector. They have a total value of 62.6 billion Syrian Pounds (\$1.2 billion USD). The largest foreign investors are in the petroleum sector and include Shell (UK/Dutch), ConocoPhillips (U.S.), Total (France), INA Nafta (Croatia), Dublin (Canada), and Gulfsands Petroleum (U.S.). The government began to actively court international energy companies in the late 1980s. By 1990 twelve foreign firms had production or exploration operations in Syria; however, most departed as a result of dry wells, rising costs, and major disagreements with the government over contractual terms and tax liabilities.

The government redoubled efforts to attract foreign energy companies by opening five blocs in 2001 and eleven blocs in 2002 for international tenders. In an effort to reverse the downward trend in production, the government opened additional blocs for international bids in January 2003. As a result, Shell/PetroCanada, Dublin, Veritas (U.S.), IPR (U.S.), Devon Energy / Gulfsands Petroleum (U.S.), INA Nafta, Tanganyika Oil Company (Canada), the Chinese National Petroleum Corporation, and Zarubezhneft (Russia) have all been awarded exploration and/or production sharing contracts.

After the implementation of U.S. economic sanctions in May 2004, a number of major U.S. corporations made the decision to divest and pull out of Syria. These companies include ExxonMobil, Devon Energy, 3M (for household products), IPR, and Veritas.

Other major foreign investors include companies from Russia, China, South Korea, Japan, Iran, and Saudi Arabia. Prince Walid bin Talal of Saudi Arabia is building a 300-room Four Seasons Hotel, which is currently the largest foreign investment outside of the petroleum sector.



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## Chapter 7: Trade and Project Financing

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### How Do I Get Paid (Methods of Payment)

On May 11, 2004, the U.S. Department of Treasury designated the Commercial Bank of Syria, along with its subsidiary Syrian-Lebanese Commercial Bank, as a financial institution of primary money laundering concern. In conjunction with this designation, Treasury sent to the Federal Register a notice of proposed rulemaking that would prohibit any U.S. bank, broker-dealer, or commission merchant from opening or maintaining a correspondent account for or on behalf of the Commercial Bank of Syria. Correspondent accounts involving the Commercial Bank would have to be terminated without exception. As of mid-2005, no special measures had been implemented against the Commercial Bank of Syria; however, all U.S. financial institutions have voluntarily ceased all correspondent accounts with the Commercial Bank.

In general, the Syrian economy operates on a cash basis and private traders finance imports from their own resources. Major importers dealing with large foreign firms may also have established credit lines. Contracts with the private sector are negotiated on an individual basis with little or no interference from the government. All documentary transactions for imports must be done by a letter of credit (L/C) opened at the Commercial Bank of Syria or one of the newly opened private banks. Typically, the Bank requires the importer to cover 100% of the transaction from his own resources offshore or from funds generated by exports. The Commercial Bank of Syria has permitted the issuance of L/Cs to bona fide importers after depositing 25% of the deal's value at the Bank; otherwise, they require 100% of the value.

### How Does the Banking System Operate

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Despite halting efforts to modernize, Syria's banking system is inadequate for most commercial needs. Syria continues to maintain its government-owned and operated public banks while allowing private banks to operate. Antiquated banking regulations on these private banks, however, severely restrict the scope of their activities.

Syria's government-owned and operated banking system consists of the Central Bank of Syria and five specialized banks: the Commercial Bank of Syria, the Agricultural Cooperative Bank, the Industrial Bank, the Real Estate Bank, and the Popular Credit Bank. According to Syrian banking regulations, only the Central Bank and the Commercial Bank may engage in international transactions and hold foreign exchange deposits outside Syria. Within Syria, only the Commercial Bank may sell Syrian pounds

for foreign currencies, and, with few exceptions, Syrian pounds cannot be sold back to the Commercial Bank. In general, only the Commercial Bank is permitted to provide commercial banking services, including letters of credit. The other banks are primarily limited to maintain savings and checking accounts and lending for non-commercial purposes. An April 2005 decision by the Ministry of Economy and Trade permitted private banks to issue U.S. dollar letters of credit backed by Syrian pounds for the importation of certain items.

Three private banks have opened after detailed regulations were issued in 2002 through Decree No. 24. Other types of banks, including those based on Islamic banking principles, have expressed an interest in opening and are currently undergoing the licensing process.

In 2000, the Ministry of Economy and Trade announced that foreign banks could be established in Syrian free trade zones. To date, six foreign banks, mostly Lebanese, have established offices, but only four provide limited banking services. Under the applicable regulations, a free trade zone bank's customer base is restricted to free trade zone investors.

The ability and willingness of retailers to accept credit card payments remains almost non-existent because of the lack of infrastructure. Most locations, other than luxury hotels, which accept credit card payments, have an ad hoc relationship with banks in Lebanon or Jordan and must manually phone the details of the transaction. This "service" usually entails a surcharge on the value of the goods purchased. The security of banking account information is inadequate and there have been several cases where credit cards used for purchases in Syria have been illegally duplicated and fraudulently used. A limited number of ATM machines are available throughout the country.

## **Foreign-Exchange Controls**

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Syria is one of the few countries in the world with a fixed, multiple exchange rate system. Over the last six years, the government has moved to harmonize rates and has shifted towards a two-tiered system. The rate for government and commercial transactions is currently fixed at 50 Syrian Pounds (SYP) to the dollar. The rate for non-commercial transactions is set and announced daily by the Central Bank of Syria.

Limited quantities of foreign currency can be exchanged for Syrian pounds at branches and kiosks of the Commercial Bank. The Syrian Pound is not a fully convertible currency. Syrians traveling outside of the country may now exchange Syrian Pounds once a year up to \$3,000 USD in value from the Commercial Bank at the daily exchange rate. The daily exchange rate announced by the Central Bank is very close to the black market rate and does not exceed it by more than 0.30 SYP.

## **U.S. Banks and Local Correspondent Banks**

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All U.S. banks have terminated their correspondent accounts with the Commercial Bank of Syria. Private banks are in the process of setting up correspondent accounts, usually through their main office in a neighboring country.

## **Project Financing**

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EximBank and OPIC financing and insurance are unavailable to U.S. exporters because Syria remains on the list of state supporters of terrorism. For the same reason, USAID has not been in Syria since 1983. Although Syria resumed payments to the IBRD in 1996, project loans will not be approved until the 5-year repayment schedule is completed. The World Bank Group's IFC, however, has begun to finance private sector projects in Syria. Syria has received some project financing from Japan, the EU, and various Arab national and multinational institutions. This financing includes money for projects improving the potable water delivery system in Damascus, upgrading the national telephone system, constructing electrical power plants and connecting the Syrian electricity grid with neighboring countries, purchasing heavy equipment for land reclamation, constructing roads, constructing hospitals, encouraging environmental awareness, modernizing ports, and restoring archeological and historical sites.

## **Web Resources**

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U.S. Treasury Department's Office of Foreign Assets Control:  
<http://www.ustreas.gov/offices/enforcement/ofac/>

U.S. Treasury Department's Office of Terrorism and Financial Intelligence:  
<http://www.ustreas.gov/offices/enforcement/>

Financial Action Task Force: <http://www.fatf-gafi.org/>

Export-Import Bank of the United States: <http://www.exim.gov>  
Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

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### Business Customs

There are few specific etiquette rules for business contacts. However, it is appropriate for a visitor to wear business attire for official meetings. A business card is needed for first meetings. Meetings with private sector businessmen tend to be less formal. Meetings with government officials, however, observe the rules of protocol.

### Travel Advisory

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American citizens visiting Syria are encouraged to register at the Consular Section of the U.S. Embassy in Damascus and obtain updated information on travel and security within the country. American citizens should also consult the Department of State's Consular Information Sheet for Syria, the Worldwide Caution Public Announcement, and the Middle East and North Africa Announcement, which are located on the Department's Internet website at <http://travel.state.gov>, or on the U.S. Embassy's website at <http://usembassy.state.gov/damascus>.

Presently in Syria there are no specific threats against official or unofficial American travelers. Political developments in the Middle East are fluid and can quickly affect the security environment in Syria. Violent mob attacks against U.S. mission facilities in Syria occurred in 1998 and 2000 in response to regional events. In February 2005 the former Prime Minister of Lebanon was assassinated in Beirut, precipitating the withdrawal from Lebanon of Syrian military forces. The long-term political, economic, and security implications of this evolving situation remain unknown.

All Americans traveling to Syria should try to be unpredictable in their activities. They should avoid large crowds and gatherings and should report suspicious incidents to the Embassy's Regional Security Officer. Further, they should avoid electronic financial transactions and should not carry valuables or large amounts of cash in crowded shopping districts.

## Visa Requirements

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A passport and a visa are required. Americans may enter Syria for up to 15 days without a visa if they have a pre-arranged program with a Syrian travel agent and a representative of the agent meets the traveler at the port of entry. Otherwise, visas must be obtained prior to arrival in Syria. The government of Syria does not allow persons with passports bearing an Israeli visa or entry/exit stamps to enter the country. Dual national males are subject to Syrian military duty laws.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas: <http://www.unitedstatesvisas.gov>

The Embassy of the Syrian Arab Republic in the United States:

2215 Wyoming Avenue, N.W.

Washington, D.C. 20008

Telephone: 202-232-6313; Fax: 202-234-9548

<http://www.syrianembassy.us>

## Telecommunications

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International or "global" cell phones will not work in Syria. Local cell phones can be purchased through two providers, SyriaTel or Areeba, along with phone cards for temporary use while in Syria. Prices for phones start at around \$100 USD, and SIM cards can be purchased for around 400 Syrian Pounds (SYP), approximately \$8. There are many different types of phone cards and they range in price from 300 SYP (~\$6) for around 40 minutes of talk time over 8 days to 2,600 SYP (~\$52) for around 400 minutes of talk time over 3 months.

Internet connections are available at five star hotels in Damascus and in internet cafés in most major cities. However, connection speeds will vary and will rarely be over 56K.

## Transportation

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SAA sanctions prohibit U.S. and Syrian commercial airlines from flying into each others' airspace. U.S. and Syrian airlines do not have bilateral transit agreements. Most major European airlines have regular flights into and out of Damascus. Some also have regular flights to Aleppo as well. The list of airlines with regular flights to and from Syria includes Air France, British Airways, KLM, Austrian Airlines, Alitalia, Royal Jordanian, Emirates, Gulf Air, and Syrian Arab Airlines.

The Syrian Arab Airlines' fleet is comprised of twenty-year old and poorly maintained Boeing and somewhat newer Airbus planes. While they are attempting to upgrade their fleet, the current environment has limited their options. As a result, their poor service record is becoming even worse.

Road travel is possible throughout most of Syria, particularly on the highways that connect the major cities. Gasoline is available on the highways and in all cities and towns, although unleaded gasoline may be difficult to find outside Damascus. Road

markings and rules are not adhered to, making driving conditions hazardous, especially after sunset.

## Language

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Arabic is the official language of the Syrian Arab Republic. Kurdish, Armenian, Aramaic, and Circassian are spoken in various parts of Syria. Most business executives speak French and/or English. However, knowledge of Arabic or the assistance of a translator is essential for conducting business.

## Health

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Hospital facilities in Damascus are not up to U.S. or European standards and facilities outside Damascus are extremely limited. However, there are many private clinics in Damascus run by American or European-trained doctors that provide quality care with new equipment. Doctors and hospitals often expect immediate cash payment for health services, and U.S. medical insurance is not always valid in Syria.

Vaccinations are not required for Syria; however, they are recommended. Information on vaccinations and other health precautions may be obtained from the Centers for Disease Control and Prevention's hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747); fax: 1-888-CDC-FAXX (1-888-232-3299); or via their Internet site at <http://www.cdc.gov/>.

## Local Time, Business Hours and Holidays

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Syria is two hours ahead of Greenwich Mean Time (GMT) from October 1 through March 31, and three hours ahead during Daylight Savings Time from April 1 through September 30. Syria is seven hours ahead of U.S. Eastern Standard Time (EST).

In February 2004, the government decreed that Friday and Saturday would be the weekend days. All government offices are closed on these two days and are open the rest of the week from 8:00 am to 3:00 pm. However, private companies and most shops are closed on Friday and open on Saturday. Most private offices work from 9:00 am to 2:00 pm, take a break for lunch, and return to work at 5:00 pm until 8:00 pm.

Public Holidays (2005):

January 1	New Year's Day
January 20-23*	Muslim Feast of Sacrifice (Al-Adha Holiday)
February 10*	Muslim New Year
March 8	Revolution Day
March 21	Mother's Day
March 27	Easter (Catholic)
April 17	Evacuation/Independence Day
April 21*	Prophet's Birthday
May 1	Labor Day and Easter (Orthodox)
May 6	Martyrs' Day

October 6	October War
November 3-5*	Al-Fitr Holiday (End of Ramadan)
December 25	Christmas

\* Based on the lunar calendar; exact date determined by the religious authorities.

### **Temporary Entry of Materials and Personal Belongings**[\[Return to top\]](#)

Customs regulations are restrictive and strictly enforced. Personal baggage may be subject, at the discretion of the customs officials, to a thorough search and x-ray both on arrival and departure. Personal belongings can be brought into the country duty free; however, they must be taken out of the country upon departure. Syrian law contains no limit to the amount of foreign currency that can be brought into Syria; however, the amount of foreign currency upon departure cannot exceed the quantity brought into the country.

An airport departure tax of 200 Syrian Pounds (around \$4 USD) is currently levied on all travelers upon departure. Foreign travelers within Syria should expect to have their passports checked at all domestic airport arrivals and departures.

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## Chapter 9: Contacts, Market Research, and Trade Events

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

### Contacts

The Embassy of the United States of America, Damascus, Syrian Arab Republic  
Telephone: +963-11-333-1342; Fax: +963-11-224-7938;  
Website: <http://syria.usembassy.gov/>

Economic/Commercial Counselor at the U.S. Embassy: Mr. Todd Holmstrom

Bureau of Industry and Security, Department of Commerce, Washington, D.C.:  
<http://www.bis.doc.gov>.

Office of Foreign Assets Control, Department of Treasury, Washington, DC:  
<http://www.ustreas.gov/offices/enforcement/ofac>.

Consular Section at the U.S. Embassy:  
[http://syria.usembassy.gov/information\\_for\\_travelers.html](http://syria.usembassy.gov/information_for_travelers.html)

Syrian Ministry of Tourism: <http://www.syriatourism.org>

There are no independent trade associations in Syria. There are many government-affiliated chambers of commerce, which fall under the umbrella of the Federation of Chambers of Commerce and Industry.

There is no American Chamber of Commerce in Syria.

### Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

### Trade Events

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Please click on the link below for information on upcoming trade events.  
<http://www.export.gov/tradeevents.html>.



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## Chapter 10: Guide to Our Services

Given the official U.S. policy of prohibiting exports of most U.S. goods and the difficulties this poses for U.S. investment, neither the U.S. Embassy nor the Foreign Commercial Service provides trade or investment facilitation services for Syria.

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>.

The U.S. Government considers the information contained in this report to be accurate as of the date published. However, **the Department of Commerce** does not take responsibility for actions readers may take based on the information contained therein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.